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United States Attorney's Office
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News Release

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Three indicted in \$1 million mortgage fraud scheme

Two mortgage brokers and one real estate appraiser were indicted yesterday in federal court in St. Paul for allegedly orchestrating a mortgage fraud scheme in which they induced lenders to loan more than \$1 million to purchasers to buy properties at inflated prices. The excess money was then shared among those involved in the scheme. The indictment charges John Anthony Spencer, age 30, of Albertville, Patrick Arthur Dols, age 37, of Minneapolis, and Bryan Joseph Lenton, age 31, of Oakdale, with one count of conspiracy to commit mortgage fraud through interstate wire and ten counts of wire fraud. In addition, Spencer was charged with one count of money laundering. The properties involved included six single-family homes in north Minneapolis, five residential condominium units located on Fisk Avenue in St. Paul, and four condo units located on Dayton Avenue in St. Paul.

Specifically, in September of 2005, Spencer, a mortgage broker at Minnesota One, allegedly agreed to assist the unnamed co-conspiring owner of the Fisk Avenue condos in fraud involving the sale of those five units. Then, in December of 2005, Spencer purportedly recruited Lenton, a real estate appraiser, to appraise each of the units at substantially more than their actual value. After that, Spencer reportedly recruited a straw buyer to purchase the units with loan proceeds provided based on a fraudulent loan application made by Spencer and Dols, another mortgage broker. Spencer also allegedly arranged for \$227,800 in bogus payments to AC Standard Construction for purported work on two of the five units. In reality, however, no work was done. In fact, AC Standard Construction was nothing more than a sham company through which those involved in the fraud received kickbacks.

In April of 2006, Spencer purportedly engaged in similar conduct with an unnamed co-conspiring real estate developer who had been unable to sell six single-family homes in north

Minneapolis at their true market value. Again, Lenton allegedly appraised each of the homes for far more than they were worth. Then, two purchasers were reportedly recruited to buy the properties, again with loan proceeds fraudulently brokered by Spencer and Dols. In addition, Spencer allegedly purchased ten properties from that same real estate developer with borrowed funds and pocketed \$77,106.58 in kickbacks.

Also in April of 2006, Spencer allegedly conducted the same scam with the condominium owner of the Dayton Avenue units. After the closing on each of the four units, Spencer allegedly caused more than \$320,000 to be paid into an account, which was then used to pay out more kickbacks.

If convicted, the defendants face a potential maximum penalty of five years in prison on the conspiracy charge and 20 years on each wire fraud count. Spencer faces an additional potential ten years on the money laundering count. All sentences will be determined by a federal district court judge.

This case is the result of an investigation by the Internal Revenue Service-Criminal Investigation Division and the Federal Bureau of Investigation. It is being prosecuted by Assistant United States Attorney David J. MacLaughlin.

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An indictment is a determination by a grand jury that there is probable cause to believe that offenses have been committed by a defendant. A defendant, of course, is presumed innocent until he or she pleads guilty or is proven guilty at trial.